

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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P 202125Z FEB 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 6133

C O N F I D E N T I A L SANTO DOMINGO 837

E.O. 11652: GDS

TAGS: EMIN, EINV, DR

SUBJ: GOLD: GODR INSPECTION OF ROSARIO INSTALLATIONS AND ATTEMPTED  
INSPECTION OF CENTRAL BANK

REF: SANTO DOMINGO 809

1. CENTRAL BANK GOVERNOR DIOGENES FERNANDEZ, IN CONVERSATION WITH  
EMB ECONOMIC COUNSELOR TODAY, PROVIDED FOLLOWING ADDITIONAL  
INFORMATION AND VIEWS RE: GODR INSPECTION OF ROSARIO INSTALLATIONS  
AND ATTEMPTED INSPECTION OF CENTRAL BANK.

A. AS REPORTED IN PRESS, DEPUTY ARMY CHIEF OF STAFF MATOS,  
SAME OFFICER WHO WENT TO ROSARIO GOLD MINE FEB 18, APPEARED AT  
CENTRAL BANK MORNING FEB 19. MATOS CONVERSED WITH CENTRAL  
BANK MANAGER EMILIO LUNA. (FERNANDEZ DID NOT ELABORATE ON MEETING)  
ANOTHER SOURCE INFORMED EMBASSY THAT FERNANDEZ FIRMLY REFUSED  
MATOS' REQUEST TO INSPECT BANK'S RECORDS OF ROSARIO SHIPMENTS.)

B. AT FERNANDEZ' REQUEST, ROSARIO'S DOMINICAN LAWYER (A CLOSE  
RELATIVE OF THE CENTRAL BANK'S PRINCIPAL LAWYER AND REPRE-  
SENTATIVE ON THE GOLD COMMISSION) TELEPHONED PRESIDENT BALAGUER'S  
ADMINISTRATIVE SECRETARY QUEZADA TO INQUIRE WHETHER PRESIDENT HAD  
ANYTHING TO DO WITH EPISODE. QUEZADA REPLIED THAT PALACE NOT  
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ONLY HAD NOTHING TO DO WITH IT BUT PRESIDENT WAS DISPLEASED

WITH WHOLE OPERATION.

C. IN REPLY TO QUERY HOW COMMERCE SECRETARY COULD ARRANGE FOR A GENERAL TO GO TO THE GOLD MINE AND CENTRAL BANK, FERNANDEZ STATED HE UNDERSTOOD D'ALESSANDRO HAD SENT LETTER TO ARMED FORCES SECRETARY OF STATE GENERAL BEAUCHAMPS ASKING FOR INVESTIGATION OF ALLEGED IRREGULARITIES AND LAX SECURITY IN GOLD SHIPMENTS. BEAUCHAMPS INSTRUCTED HIS AIDE TO HAVE ARMY CHIEF OF STAFF ALVAREZ SANCHEZ TAKE CARE OF MATTER. ALVAREZ SENT HIS DEPUTY, GENERAL MATOS TO THE MINE AND CENTRAL BANK.

D. IN ADDITION TO ENUMERATING REASONS NOTED PARA 7 REFTTEL, FERNANDEZ EXPRESSED VIEW ACTION WAS IN PART PERSONAL REVENGE OF D'ALESSANDRO AGAINST FERNANDEZ BECAUSE CENTRAL BANK A FEW DAYS AGO AWARDED AN AIRPORT CONSTRUCTION PROJECT, PART OF THE IBRD-FINANCED TOURISM PROJECT ON NORTH COAST, TO ANOTHER FIRM RATHER THAN TO THAT OF D'ALESSANDRO'S BROTHER. (LOCAL PRESS HAS FULL PAGE ADVERTISEMENTS WITH CHRGES, COUNTER-CHARGES AND EXPLANATIONS FROM WINNING FIRM, LOSING FIRM, AND CENTRAL BANK ON AWARDED OF THIS CONTRACT.)

E. FERNANDEZ ALLEGED THAT D'ALESSANDRO, WHO GREW UP WITH HIM AND USED TO WORK WITH HIM IN THE CENTRAL BANK, WAS DISTORTING AND EXPLOITING RECENT INCIDENTS IN ORDER TO HAVE HIM REMOVED AS CENTRAL BANK-GOVERNOR. ONE SUCH INCIDENT WAS THE THEFT LAST AUGUST AT JOHN F. KENNEDY AIRPORT IN NEW YORK OF A GOLD INGOT. LATEST WAS AN ALLEGED IRREGULARITY WHICH HELD UP THE GOLD SHIPMENT AT THE SANTO DOMINGO AIRPORT FEB 5. (ACCORDING TO LOCAL NEWS ACCOUNTS AND RUMORS THAT SHIPMENT HAD (1) BEEN INTERCEPTED BY GENERAL ALVAREZ WHO FOUND GOLD DUST BEING SMUGGLED OUT, (2) BEEN STOPPED BY CUSTOMS BECAUSE OF LACK OF PROPER IDENTIFICATION, (3) ARRIVED UNACCOMPANIED BY ANYONE WHEN IT WAS INTERCEPTED, AND/OR (4) HELD UP BECAUSE OFFICIALS DID NOT HAVE THE KEY TO THE STRONGBOX.) FERNANDEZ' ACCOUNT WAS THAT THIS SHIPMENT HAD BEEN DELAYED FROM FEB 5 TO NEXT DAY BECAUSE A ROSARIO OFFICIAL HAD FAILED TO BRING THE KEYS FOR THE STRONGBOX IN WHICH THE GOLD INGOTS ARE PLACED ON THE AIRPLANE, BUT EVERY OTHER DETAIL OF THE SHIPMENT WAS IN PROPER ORDER, INCLUDING SECURITY GUARD AND DOCUMENTATION.

F. UNTIL FERNANDO ALVAREZ BOGAERT BECAME SECRETARY OF FINANCE LAST SPRING, THE SUPERINTENDENCY OF BANKS (AN ENTITY OF THE FINANCE  
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SECRETARIAT) HAD CARRIED OUT A COUPLE OF INSPECTIONS A YEAR OF THE CENTRAL BANK IN ACCORDANCE WITH THE BANKING LAW. SINCE ALVAREZ BECAME FINANCE SECRETARY, THE SUPERINTENDENCY OF BANKS HAS UNDERTAKEN 33 INSPECTIONS OF THE CENTRAL BANK. THE CENTRAL BANK HAS COOPERATED TO THE EXTENT REQUIRED BY LAW, BUT, FERNANDEZ ADDED, HE IS GETTING FED UP.

G. QUOTING THE MINING LAW (SEE PARA 4 REFTTEL) FERNANDEZ

NOTED THAT NEITHER ROSARIO NOR THE CENTRAL BANK AS ITS PARTNER IS REQUIRED TO ACCEPT VISITS OR INSPECTIONS OF MINING AND RELATED ACTIVITIES BY MEMBERS OF THE ARMED FORCES OR THE SECRETARIAT OF FINANCE, (THE RECEIPT FOR THE DOCUMENTS TAKEN FROM ROSARIO'S PREMISES IN SANTO DOMINGO WERE SIGNED BY A COLONEL AND TWO OFFICIALS FROM THE SECRETARIAT OF FINANCE.)

1. THOUGH HE IS UNDER ATTACK BY THE SECRETARY OF FINANCE, THE SECRETARY OF INDUSTRY AND COMMERCE, THE PRESIDENT'S ECONOMIC ADVISOR CARLOS SELIMAN, AND CEDOPEX DIRECTOR PERICHE, FERNANDEZ HAS NO INTENTION OF RESIGNING. ON THE CONTRARY HE IS GOING ON THE OFFENSIVE AS WILL BE EVIDENT FROM THE CENTRAL BANK'S COMMUNIQUE PUBLISHED IN TOMMORROW'S PRESS.

2. MEANWHILE, TODAY'S PRESS PROMINENTLY CARRIES REPORTS AND SPECULATION CONCERNING INSPECTIONS AT ROSARIO'S INSTALLATION AND ATTEMPTED INSPECTION AT CENTRAL BANK. ARTICLES QUOTE OFFICIAL SOURCES AS CRITICIZING PROCEDURES FOR ORE SHIPMENTS AND INADEQUATE PARTICIPATION OF GOVERNMENT OFFICIALS IN MONITORING ORE PROCESSING. THE SOURCES CITED EXPLAINED THE PRESENCE OF MILITARY OFFICERS WITH THE INSPECTING GROUPS AS DESIGNED TO HELP STRENGTHEN SECURITY PROCEDURES FOR THE SHIPMENTS AND AT THE PROCESSING PLANT.  
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## Message Attributes

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